

AR36



International Paper Annual Report 1966



Papers from Androscoggin for the Information Explosion



The technological changes that have revolutionized business communications, data processing and record keeping during the past few years are reflected in this customer service facility at the Androscoggin mill in Jay, Maine. The papers are *Data-Speed™* Form Bond and *Data-Speed™* Carbonizing — thousands of tons to meet the growing demand for lightweight papers by the business-forms industry for multiple forms and for use in computer print-out.

From the ground up, Androscoggin is engineered to the special requirements of the business-forms industry. Wood fibers from the forests of Maine are ideally suited to the lightweight papers the industry needs. Androscoggin's continuous digester and two paper

machines are designed specifically to assure the uniform quality essential to papers that will be punched, perforated, folded and printed on high-speed converting equipment to produce business forms that must themselves perform well on high-speed office equipment.

But the payoff is in the Androscoggin Service Center. Here automated equipment and the mill's computer work together with uncommon speed and accuracy. Stored computer information enables us to fill orders for *Data-Speed™* paper in any combination of eight colors and six weights. Even shipping instructions are printed by the computer.

This Service Center, and the forests and mill behind it, are key reasons why International Paper is uniquely equipped to play its role in fulfilling the business world's enormous demand for facts and figures.

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Arthur P. Foster		F. Winifred Brown
John W. Gilbert	<i>Auditor</i>	G. A. Hobson
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Edmund B. Pettiss		
George H. Rand		
William S. Snyder		
John L. Tower		

Highlights

	1966	1965
Production:		
Paperboard, paper and market pulp — tons	6,386,288	5,780,443
Lumber — thousands of board feet	188,992	213,452
Plywood and veneer — thousands of square feet	341,843	356,080
Insulating and building board — thousands of square feet	134,311	104,955
Sales	\$1,450,061,645	\$1,303,741,455
Net Earnings	\$105,221,821	\$88,545,233
Per share of common stock*	\$2.40	\$2.02
Depreciation and Depletion	\$79,696,763	\$89,172,942
Per share of common stock*	\$1.83	\$2.04
Provision for Income Taxes	\$83,100,000	\$63,000,000
Per share of common stock*	\$1.91	\$1.44
Cash Dividends Paid on Common Stock	\$54,013,291	\$54,556,942
Per share of common stock*	\$1.23¾	\$1.25
Common Shareholders' Equity	\$1,009,069,081	\$959,209,476
Per share of common stock*	\$23.13	\$21.97
Working Capital	\$278,359,831	\$272,084,044
Net Plants and Properties	\$652,974,118	\$575,750,028
Number of Shareholders at December 31	81,208	70,287
Number of Full-time Employees at December 31	53,269	51,435
Payroll and Employee Benefits	\$408,325,701	\$368,779,722

* Computed on basis of 43,618,810 shares for 1966 and 43,652,803 shares for 1965.

To Our Shareholders

Earnings, sales and production of the International Paper Companies reached new record levels during 1966.

Net earnings of \$105,221,821 (\$2.40 a share) represented an increase of 18.8% over the preceding year, when earnings totaled \$88,545,233 (\$2.02 a share). Sales amounted to \$1,450,061,645, an increase of 11.2% over 1965 sales of \$1,303,741,455.

Production of paper, paperboard and market pulp by our Companies reached 6,386,288 tons in 1966, a gain of 10.5% over 1965. High operating rates throughout the year reflected strong demand in these segments as well as in the packaging end of our business.

In 1966 International Paper adopted the straight-line method of recording depreciation. Earnings for the year include \$5,122,000 (12 cents a share) resulting from this change. Earnings in 1966 were increased by 6 cents a share from the 7% investment tax credit of \$2,820,102, compared with 13 cents a share from the credit of \$5,836,386 in 1965.

Throughout this report, unless otherwise noted, all figures are for International Paper Company and consolidated subsidiaries on a consolidated basis. Terms such as "I-P", "we" and "our Companies" refer to International Paper Company or to that Company and its subsidiaries, as required by the context.



Edward B. Hinman, President and Chief Executive Officer, International Paper Company.

Earnings in 1965 reflected the unfavorable impact of the 22-day shutdown in the Company's southern mills, but also included a non-recurring profit of 5 cents a share from sales of securities.

The tightness in the money market which obtained in 1966 caused a decline in residential construction, adversely affecting the building-materials segment of our operations. Indications are that this decline in new housing starts has bottomed out with easing of interest rates.

Production of our converted paper products reached a new record level of 1,266,835 tons, an increase of 6.8% over 1965. Substantially all of this converted tonnage was fabricated from board and paper produced at the Companies' own mills.

Exports in 1966 from our North American mills to overseas markets amounted to 997,741 tons of our primary products. This was an increase of 10.5% over 1965, even though shipments of newsprint to the United Kingdom, one of our principal markets, declined as a result of their austerity program.

Capital expenditures by International Paper and its consolidated subsidiaries totaled \$199,932,163 in 1966, compared with \$125,202,128 in 1965. It is estimated that expenditures in 1967 for capital programs already approved will be \$250,000,000. These programs are discussed in detail in this report.

In support of these capital programs, International Paper and Canadian International Paper Company have completed satisfactory agreements to borrow a total of \$180,000,000 on a long-term basis. Of this, \$65,000,000 had been drawn down at the end of the year.

The Year Ahead

We foresee continued growth in world demand for the products of the North American pulp and paper industry during 1967. The United States is by far the principal market for this industry and U. S. consumption is closely tied to the rate of activity in the U. S. economy. During 1966 estimated consumption of paper and paperboard in the United States rose to 52,150,000 tons, an increase of 6.9% over 1965. Most economists predict another year of growth for the U. S. economy in 1967, although at a more moderate rate than in 1966.

Capacity of the North American industry during 1967 is scheduled to increase significantly. With growth in

U. S. demand continuing, although at a lower rate than last year, and with growing demand for North American production in other world markets, only a moderate decline in overall industry operating rates is expected this year.

As far as the International Paper Companies are concerned, volume should be good in 1967. Several of our major mill-expansion projects are scheduled for completion before the end of the year. These will add new primary manufacturing capacity amounting to 700,000 tons annually for the U. S. mills.

We will also realize increasing benefits from our accelerated programs of modernization and technological improvements.

Despite the continued inflationary pressures on important areas of our costs, barring a major change in general economic conditions, our Companies expect a good year in 1967 with another increase in earnings.

Labor Negotiations

The two-year labor agreements negotiated in 1965 in our Southern and Northern Divisions' pulp and paper mills run through May 31, 1967. New agreements will be negotiated in the spring with the unions representing these employees, as well as a new agreement covering our mill at Gardiner, Oregon. The labor agreements covering the Canadian mills run through April 30, 1968. On the West Coast, Long-Bell's operations are covered by labor agreements extending to the spring of 1969.

Computer Operations

Computers today play a vital role in generating basic information for management decisions. In addition to the usual data processing applications, our computers handle order placement and transmission, the assembly of data supporting our annual profit plans and performance reporting. International Paper is among the first companies in the world to have an advanced computer-based tele-communications information system. Our Companies have been successful pioneers in the use of computers for process control. Four additional process-control installations at primary mills are scheduled this year.

Ogden Phipps Retires

The decision last year by Ogden Phipps, a member of our Board of Directors since 1931, to retire from the

Board was accepted with regret. The other members of our Board join with me in expressing appreciation for his many contributions and his 35 years of dedicated service to the Company.

Management Changes

In May 1966 Richard C. Doane, Chairman of the Board, relinquished his duties as Chief Executive Officer and the Company's bylaws were amended to confer those duties on the President.

In the Manufacturing area, Judson Hannigan, a Vice-President, was named Manager of Manufacturing last year, with responsibility for primary manufacturing operations in the Company's Southern and Northern Divisions and for the Gardiner mill in Oregon.

In Marketing, Lawrence B. Kelley, a Vice-President, was assigned responsibility for domestic marketing of paper packaging, packaging materials, primary grades of paper, and pulp. Within the new Marketing organization, Edmund B. Pettiss was elected Vice-President in charge of the Packaging Group; Richard H. Hinman was elected Vice-President in charge of the Paper Group; and Donald F. McCall, a Vice-President, heads the Pulp Group.

A Word About People

The increasing size and diversity of the Companies' operations have placed greater emphasis than ever on the development of experienced, highly motivated younger men. The Companies have broadened their efforts to recruit qualified young men, and internal training and management development programs have been strengthened.

All of the men and women who manage and carry out our operations share in the credit for the Companies' best year. The other members of the Board of Directors join me in expressing our appreciation to all of them.

President

New York, N. Y.
February 24, 1967

International Paper Companies

Primary Production (tons)

	1966	1965
Paperboard:		
Container board	1,684,181	1,415,253
Bleached board	910,865	820,543
Total Paperboard	2,595,046	2,235,796
Newsprint	1,249,065	1,194,181
Other Papers:		
Fine and printing paper	780,794	681,165
Industrial paper and miscellaneous	614,312	565,547
Total Other Papers	1,395,106	1,246,712
Market Pulp	1,147,071	1,103,754
Total	6,386,288	5,780,443

Pulp figures include shipments to mills of the Companies for their own use as follows: 77,531 tons in 1966 and 116,868 tons in 1965.

Ten-Year Summary of Production (tons)

Year	Paperboard and Paper	Market Pulp	Total
1966	5,239,217	1,147,071	6,386,288
1965	4,676,689	1,103,754	5,780,443
1964	4,548,701	1,135,036	5,683,737
1963	4,289,721	980,017	5,269,738
1962	4,184,144	852,175	5,036,319
1961	4,087,181	768,347	4,855,528
1960	4,033,754	675,782	4,709,536
1959	4,087,308	646,932	4,734,240
1958	3,726,766	612,182	4,338,948
1957	3,848,373	709,682	4,558,055

Converted Paper Products (tons)

1966	1,266,835
1965	1,185,692

Substantially all of this converted tonnage was fabricated from board and paper produced at the Companies' own mills and included in the foregoing table.

Building Materials

	1966	1965
Lumber		
(thousands of board feet)	188,992	213,452
Plywood and Veneer		
(thousands of square feet — 3/8-inch basis)	341,843	356,080
Insulating and Building Board		
(thousands of square feet — 1/2-inch basis)	134,311	104,955

Paper, Paperboard and Market Pulp

The U. S. capital improvement program announced early in 1966 is well advanced. This involves three new paper machines and the speed-up of two existing machines. By the end of 1967 it will provide on an annual basis 700,000 tons of new primary capacity. This program also includes accelerating various technological improvements which will increase efficiency and quality in a number of our mills and product lines. An older machine at our Louisiana mill presently producing 70,000 tons of linerboard annually will be scrapped.

Vicksburg Mill: We expect to complete the mill at Vicksburg, Mississippi, late in the third quarter. This single-machine mill will have a capacity of 1000 tons per day of standard and specialty linerboard grades. It will serve both domestic and export markets.

Pulp will be furnished by two continuous digesters. One digester will produce a strong, high-yield pulp to form the base sheet, while the other will produce finer pulp for the top or printing surface of the board. A bleach plant will permit production of our premium grades of colored specialty linerboards.



Judson Hannigan, Vice-President—Manufacturing (right), discusses construction progress at the Androscoggin mill in Jay, Maine, where a third paper machine is being installed.

Pulp for the 1000-ton-a-day linerboard machine being installed at the mill in Vicksburg, Mississippi, will be supplied by these two continuous pulp digesters (background). The Vicksburg mill will manufacture standard and specialty linerboard grades, including our complete range of colored linerboards.



Louisiana Mill: This year at the Louisiana mill in Bastrop we are completing a major mill modernization program with the installation of a new paper machine to produce 300 tons per day of bleached business and printing grades.

During the past four years the work done at this mill has included mechanization of wood handling; a new pulp mill with two continuous digesters; a new bleach plant; a chemical-recovery boiler; a mechanized finishing room; and the rebuilding and modernization of three paper machines.

Androscoggin Mill: Installation of a third paper machine will be completed at this mill in Jay, Maine, by the end of 1967. The 300-ton-per-day machine, equipped with both roll and blade coaters, will manufacture lightweight coated publication papers. The quality of wood fiber available in Maine is ideally suited to the manufacture of this grade and the other lightweight papers which are this mill's specialty. In addition to the paper machine, we are installing a groundwood pulp mill, supercalenders, additional power capacity and new finishing equipment.

Other Major Improvements: At Pine Bluff, Arkansas, the capacity of the bleached-board machine is being increased by 200 tons per day. Additions to pulping and bleaching capacity are also under construction to support the additional production.

At Camden, Arkansas, we are increasing industrial-paper capacity by 100 tons a day and mechanizing the woodyard.

At Natchez, Mississippi, we are installing a continuous digester specially engineered for dissolving pulp. Greater pulp uniformity is an important benefit of continuous pulp cooking. Uniform quality is necessary in dissolving pulp, which is used by the textile, plastic and other industries.

Part of our long-term program to improve mill efficiency and reduce costs has been the installation of high-capacity, chemical-recovery boilers to replace less economical smaller units. Recovery boilers are going in this year at the mills at Springhill, Louisiana, Georgetown, South Carolina, and Pine Bluff and Camden, Arkansas.



Foundations for the new paper machine at the Louisiana mill in Bastrop are under construction as the skeleton of the 700-foot paper machine room begins to rise in the rear.



Building Materials

The Long-Bell Division is continuing its program to improve operating efficiency in its lumber and plywood plants and to broaden, diversify and upgrade its line of building materials and specialty millwork products.

The Division is stressing development and sales of products designed specifically for the home improvement and remodeling field. A new line of exterior plywood siding, marketed under the name of *Long-Ply®*, was introduced last year.

In 1967 the Division will construct a \$6.5 million particle-board plant in Malvern, Arkansas, with a capacity of 70 million square feet annually. Particle-board is a dimensionally stable panel product made by combining wood particles with a resin binder. Output of the Malvern plant will be sold to building, furniture and other wood-fabricating industries.

The latest prefinishing equipment was installed at Longview, Washington, to improve the quality of Long-Bell's line of kitchen cabinets. This system also reduces costs by prefinishing cabinets before shipping them in knocked-down form to Long-Bell's assembly plants in major market areas.

Realignment of the Division's marketing structure has been completed. This reorganization has resulted in improved customer service and more efficient log utilization through improved product mix.

Air and Water Management

For the past several years there has been increasing public awareness of the need for improving the quality of air and water resources. This problem affects localities all over the country. The solutions which will be developed will involve every segment of our society, both public and private. Our Company has been working to develop the technology required to deal with its waste-disposal problems. Our capital programs are designed to include the latest technological developments in equipment for improved air and water management.

We are cooperating with various Federal, state and local authorities to identify problems, develop programs and establish time schedules for workable solutions. A senior corporate officer has been appointed with responsibility for direction of this important work.



Spray storage of pulpwood—a new technique developed by I-P's research to prolong wood storage life, reduce fiber loss of stored wood and minimize wood-handling costs—will be a feature of the Vicksburg mill. The process was proved in pilot installations at the Mobile and Camden mills.



The Long-Bell Division's new, mechanized plywood warehouse at the Vaughn, Oregon mill provides more efficient handling of the mill's regular inventory of completed fir plywood as well as improved customer service.



Marketing

A realignment of the U.S. Company's marketing organization was accomplished during 1966. The move brings together under the Vice-President—Marketing all of the Company's domestic marketing activities, except building materials and newsprint. These activities now fall within three major product groups—Packaging, Paper and Pulp—each headed by a corporate Vice-President.

The Packaging Group has responsibility for production and marketing of the Company's converted packaging products and for marketing container board and other packaging boards and packaging papers. The Paper Group has responsibility for marketing the Company's major lines of papers as well as bleached boards for uses other than packaging. The Pulp Group is responsible for marketing of the Companies' pulp, both paper and dissolving grades.

The Packaging Group

This Group serves a wide range of manufacturers and processors, and includes three divisions—Consumer Packaging, Industrial Packaging and Packaging Materials.



The latest visual techniques, including our own closed-circuit TV system, are used in the Company's Creative Marketing Centers. Here, Lawrence B. Kelley, Vice-President—Marketing, takes part in a customer presentation. Creative Marketing Centers are located in New York and in the new Western Marketing Headquarters in Burlingame, California, shown on the facing page. A third Center is being established in Chicago.



Consumer Packaging: This new Division consolidates the manufacturing and marketing of plastic-coated milk containers, folding boxes and labels by the Company's Single Service, Lord Baltimore Press and Muirson Divisions.

During 1966 demand for the *Pure-Pak*® plastic-coated milk containers produced by the Single Service Division continued to increase. The non-dairy use of specially designed containers produced by this Division increased, with the gallon and half-gallon containers used to distribute fountain syrups for soft drinks gaining wide acceptance. A new line of plastic-coated, color-printed ice cream cartons is being produced in Single Service's plants in various parts of the country to provide quick, efficient delivery schedules to the ice cream industry.

Production of high-quality folding boxes by the Lord Baltimore Press continued to increase in 1966. A new warehouse incorporating the latest automated equipment for materials handling is being constructed at the Baltimore plant. The new unit will greatly improve

efficiency and customer service. At the plant in Clinton, Iowa, additional cutting and printing equipment is being installed to support our increasing participation in the growing market for *Multi-Pak*® carriers for soft drinks and beer.

Industrial Packaging: This Division consolidates the Company's manufacturing and marketing of shipping containers, multiwall shipping sacks and grocery and specialty bags.

To meet continued growth in the demand for corrugated shipping containers two additional plants came into operation in 1966—one in Baltimore, the other near Detroit. In 1967 the shipping-container plants at Fond du Lac, Wisconsin, Statesville, North Carolina, and Presque Isle, Maine, will be expanded. Two old corrugators at the Whippany, New Jersey plant will be replaced with a single high-speed machine.

In San Jose, California, a new plant for multiwall sacks will be constructed, replacing present facilities and providing added capacity to meet growth in demand in the western marketing area.

Packaging Materials: This Division markets the Company's paperboards and label papers to manufacturers of shipping containers, folding boxes, composite cans, fiber drums and labels.

Paper Group

The Paper Group is organized in three divisions—the Paper Merchant Division, the Fine Paper Division and the Industrial Paper Division.

The Paper Merchant Division markets a broad line of papers and bleached boards to merchants. This new Division gives special emphasis to the important markets throughout the country serviced by local paper merchants.

The Fine Paper Division has responsibility for the direct sale of the Company's grades of business, communications, printing and publication papers to converters and publishers.

The Industrial Paper Division is responsible for the direct sale of industrial papers and kraft specialty papers to converters.

Two aspects of the current capital program will have special significance to the Paper Group.

First, completion of the new paper machine at the Louisiana mill will center the Company's output of papers for tablet, envelope and web-offset use at this modern, efficient mill. The ability to make all of these grades at the Louisiana mill will improve quality and service.

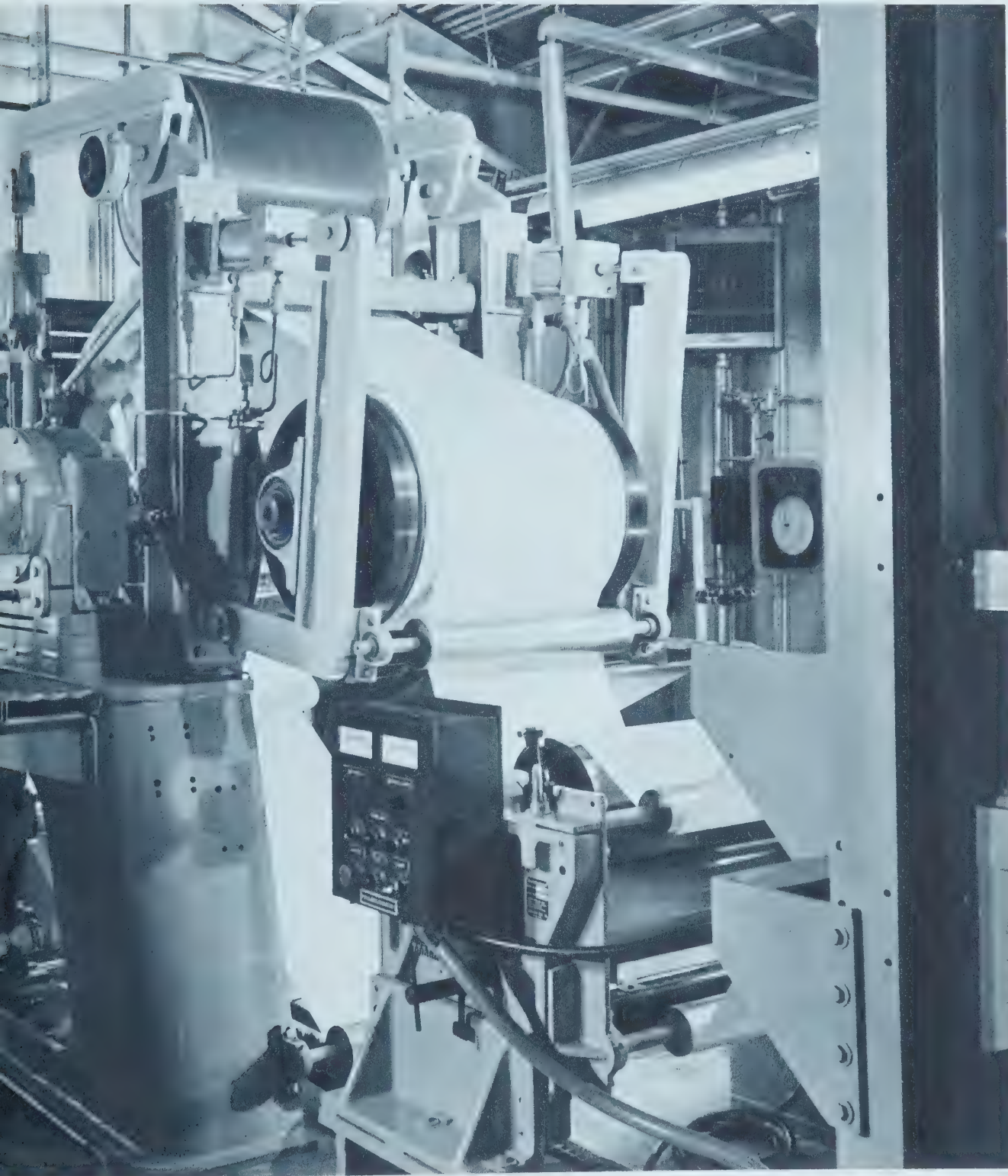
Second, the new paper machine at Androscoggin will be completed late this year. This machine will add substantially to our capacity to supply high-quality, lightweight, coated grades for which demand by our publication customers is increasing.

Pulp Group

In 1966 International Pulp Sales Company, a wholly owned domestic subsidiary of I-P, was formed to sell in U.S. and overseas markets pulp produced by the Companies and by the jointly owned Gold River mill. It has headquarters in New York, with affiliated offices in London, Paris, Zurich, Frankfurt, Barcelona and Tokyo, and representatives throughout other principal markets of the world. It handles market paper pulps and dissolving pulps, each line having its own sales and technical service staff. International Pulp Sales has improved its service to its customers by combining its own technical capabilities with those of the Companies' manufacturing and research organizations.



Development work in the formulation and application of coatings for both printing and packaging grades of paper and paperboard is conducted on this pilot coater at the Erling Riis Research Laboratory in Mobile. Close coordination between Research and Marketing keeps product-development programs responsive to present and future customer requirements.



Canadian International Paper Company

Canadian International Paper Company is engaged in a capital program amounting to \$117 million. This is exclusive of the Gold River pulp mill being constructed by the Tahsis Company Ltd. on Vancouver Island in British Columbia. The Tahsis Company is jointly owned by Canadian International Paper Company and The East Asiatic Company (Canada) Ltd.

Gatineau, Quebec: Expansion of newsprint capacity at the mill at Gatineau is under way. A new high-speed paper machine, with a trim width of 360 inches, is being installed. It will have a daily capacity of 500 tons and will be completed late in 1968. The present mill is also being modernized, and a groundwood pulp mill which uses refiners instead of conventional grinders will be added to produce pulp from wood chips rather than logs.



I. H. Peck, President and Chief Executive Officer, Canadian International Paper Company, in C-I-P's Montreal headquarters.

Matane, Quebec: The 150-ton-per-day mill under construction on the Gaspé Peninsula is expected to begin production in September 1967. It will produce corrugating medium principally from hardwoods purchased from nearby farmers and woodlot owners. The Canadian International container plants will absorb this production.

Facelle Company Limited, Toronto: An expansion program to meet the growing demand in Canada for the *Facelle*® line of consumer tissue products is in progress. The project includes another tissue machine, additional disposable-diaper machinery and enlarged warehouse facilities to improve customer service. The *Facelle*® consumer product line includes facial and bathroom tissues, household towels and napkins, and *Flush-A-Byes*® disposable diapers.

Other Capital Projects: Other capital items include improvements in operating efficiency and product quality; purchase of additional timberlands; and continuing mechanization of pulpwood harvesting. A container plant, C-I-P's sixth, will be constructed near Toronto.

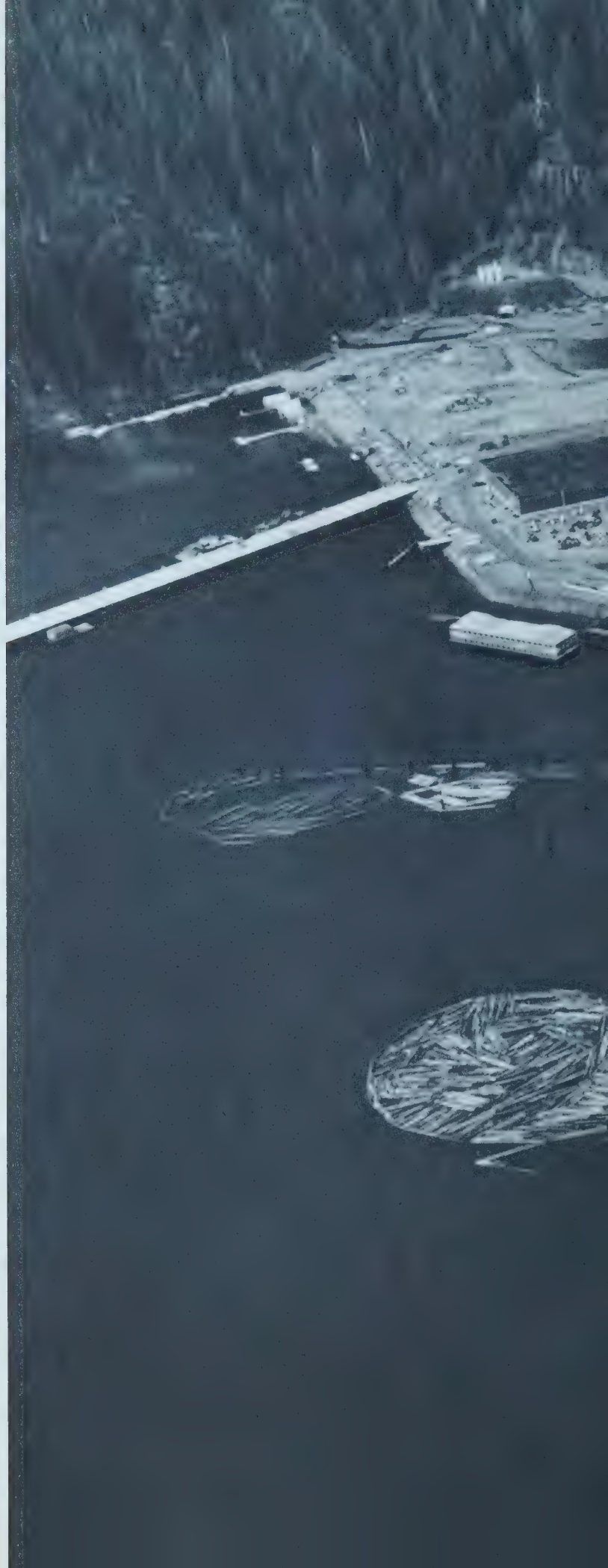
Gold River, British Columbia: Start-up of the 750-ton-per-day bleached kraft pulp mill of the Tahsis Company Ltd. is scheduled for the summer of 1967. The Gold River mill is located on tidewater on the West Coast of Vancouver Island. The predominance of hemlock fibers to be used at the mill will produce a high-quality softwood paper pulp.

The Tahsis Company also operates a modern automated sawmill and carries out extensive lumbering and logging activities on Vancouver Island. Chips from the sawmill will be used at the Gold River pulp mill.



A 15,000-acre Nature Center at the Harrington Forest Farm will be dedicated as part of C-I-P's participation in Canada's Centennial Year celebration. Programs in conservation and resource management will be conducted by C-I-P for youth groups, such as these 4-H Club members, in cooperation with schools, universities, government agencies and other organizations working in the field of conservation.

The Gold River pulp mill is nearing completion on the West Coast of Vancouver Island. The mill will process whole logs as well as chips supplied by the jointly owned Tahsis Company sawmill. A substantial chip pile has already been accumulated. All shipments of the softwood paper pulp to be made here will pass over the dock (top left), which will be able to accommodate oceangoing vessels.





In the new I-P Tokyo sales office, John F. Howden, President, Overseas Division (second from right), meets with two officials of the Japan Paper and Pulp Association and the Manager of our Tokyo Office to discuss industry conditions in Japan.



Export Sales

Shipments to overseas world markets from the Companies' North American mills continued to grow during 1966, reaching a total of 997,741 tons, 15.6% of their total output of primary products. Export sales in 1966 from the U. S. mills contributed \$110,696,000 to the U. S. Government's balance-of-payments program.

Overseas Expansion

The new mill at Cassino, Italy, operated by our Italian subsidiary, SILCA, came into production late in August. The mill is designed to manufacture 165 tons per day of linerboard and corrugating medium, principally from wastepapers. A substantial part of the output of the Cassino mill will be consumed by SILCA's three shipping-container plants—located near Milan, Rome and Catania.

Late in the year we acquired substantially all of the capital shares of a Spanish company owning a small mill that manufactures corrugating medium. A small container plant at Barcelona recently has been added to our Spanish container-manufacturing operations.

Early in the year our French affiliates installed a new corrugator and completed the expansion of the shipping-container plant at Mortagne in Normandy. Later in the year a third shipping-container plant near Arles in southeastern France was completed.

In South America an associated company started operations early in the year on the third paper machine at the mill in Cali, Colombia. In Ecuador our associate started construction of a mill for the manufacture of kraft wrapping and bag papers. The Ecuador mill will use bagasse and wastepaper as raw materials.

Annual Report continued on page 21. The Center Section that follows has been prepared for mailing to customers and prospects of our new Consumer Packaging Division and is included here to inform shareholders about the work of this Division.



Creative Consumer Packaging from I-P

Consumer packaging plays a vital role for marketers in maintaining the smooth flow of goods from factories and processing plants to homes all across the land. Packaging today is many things. Packaging is product protection—consumers depend on packaging to preserve the quality of industry's packaged goods. Packaging is mass production—today consumer packaging must meet the demands of high-speed, automated filling, closing and packing lines. Packaging is convenience—ease of opening and reclosing, small-portion packaging, clearly printed brand names, contents, quantities and directions, all spell convenience. Finally, consumer packaging is a merchandising catalyst—millions of times every day a package energizes the business transaction that takes place as a single customer selects one package from a thousand others.

Presentations in I-P's Creative Marketing Centers have brought to hundreds of customers an understanding of the broad range of products and services available from the Company. Panels of consumers join I-P's technicians for product and design evaluations in Visual Testing Laboratories using the latest visual testing techniques. New packages can be displayed in simulated environmental areas for study or photography.



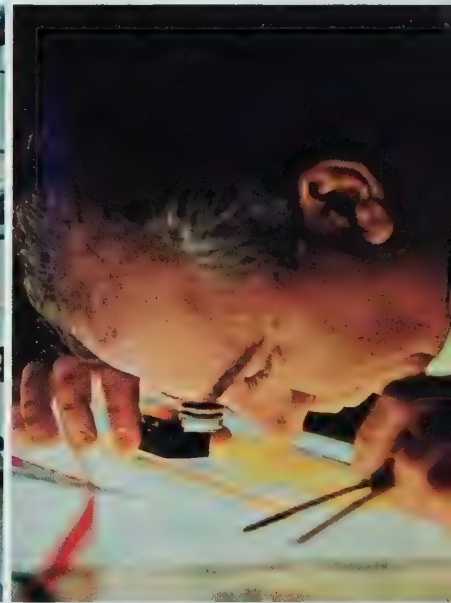
Over the years I-P has pioneered many of the paper-packaging firsts of the industry. Now the new Consumer Packaging Division is a focus for the creative packaging skills and modern production facilities of our folding box, label and milk container plants located to serve manufacturers and processors from coast to coast. This Division is staffed and equipped to combine a wide range of creative packaging skills with the productive strength and technological know-how of the world's largest paper and paperboard packaging company. Beginning with the forest, on through research laboratories, paper mills and packaging plants, I-P's technical and manufacturing resources support the creative marketing thrust of this new Consumer Packaging Division.





Graphic Excellence Means Package Appeal

In the marketing world of the 1960's and 1970's the graphics of consumer packaging will play a growing part. Artists and designers in nine creative art centers bring graphic and structural diversity to **I-P's** consumer packaging. In folding boxes the Lord Baltimore Press makes thousands of different styles and kinds of packages every year. Muirson Label Company, with the industry's largest library of food illustrations, produces millions of labels daily in more than thirty thousand different designs. Single Service, which manufactures *Pure-Pak*® plastic-coated paper milk containers, maintains designs and plates for forty thousand individual items. By joining the diverse talents of our converting divisions into a coordinated team, **I-P** has established a total design capability unmatched in the packaging business.



Mass Production of Quality

Industry's answer to the expanding need of the American market for top-quality, low-priced consumer products is mass production. But mass production can only succeed when each unit meets established standards of quality. To meet these exacting standards **I-P's** technicians are constantly engaged in developing new papers and paperboards for specific packaging uses and systems. Coating formulations and techniques are studied. And production facilities are equipped with new machinery of advanced design, such as this huge, high-speed, six-color press. Each element is a component in **I-P's** drive to meet the demands of packers for excellence in packaging to match the quality of the products they produce.





The Touch of the Craftsman

The demand for graphic creativity is matched by equal demands on the timeless skills of the printing craftsmen. They must translate artists' concepts onto paper and paperboard. Color separations, dot etching, the exact register of up to six printing plates, precise color matching of shade and tone, all call for artistic skills burnished by years of experience and the discipline to pursue the finest detail. In Lord Baltimore's exclusive *Fidel-I-Tone*® process every detail is captured in compelling clarity. Muirson's labels bring food products to life in striking color and design. Single Service pioneered in plastic-coated milk containers. Now they offer customers an improved graphic process, *Show-n'-Sell*™, for milk, ice cream and other containers printed in multicolor.



The Ultimate Judgment

Consumer packages meet their ultimate test here—in the kitchen before the critical eye of the housewife. Her judgment—Does it work? Is it right? Do I like it? Will I buy it again?—is final. In this test kitchen in our Western Marketing Headquarters, I-P's marketing and packaging specialists arrange Focus Group Interviews and Show-and-Handle Projects to identify the structural or design element that makes a package just right for the product. Their purpose—a package that matches and enhances the quality of the product it carries. In our Western Center, in the New York Creative Marketing Center and in the new Chicago Center, I-P's technical packaging skills become an extension of the marketing skills of the nation's leading producers of products for the kitchen and the home.



This test kitchen in the Western Marketing Center is used for market evaluations covering a single consumer package or an entire range of I-P produced packages. Functional package performance and consumer reactions are studied and verified by trained market-research teams in this natural setting.

Consumer Packaging Division

Lord Baltimore Press
Molded Products
Muirson Label Company
Multi-Pak
Single Service

Research

A \$7.5 million Corporate Research Center will be built in Sterling Forest, about 35 miles northwest of New York City. The Center will include laboratories and pilot plants designed to conduct basic and long-range research in wood and cellulose chemistry, fiber production and papermaking. This research will make possible the development of new products and new technologies in the fields of pulp, paper and chemicals. Our research programs in the field of packaging will be expanded, consolidating research in packaging materials with the development of new packaging systems.

The Center, employing about 175 scientists, engineers and technicians, will be in operation late in 1968.

The research laboratories in Mobile, Alabama, and Hawkesbury, Ontario, will continue to work with the Companies' manufacturing and marketing organizations in all phases of technical development of their present products and processes. The activities of our laboratory at Glens Falls, New York, will be incorporated in the new Center.

We are continuing to progress in our long-range research objectives of applying direct computer control to mill operations. During 1966 the computer approach was effective in raising product quality and maintaining a higher level of uniformity at our mills where process-control computers have been installed.



John W. Gilbert, Vice-President and Corporate Director of Research (left), and William G. Dodge, General Manager of the new Corporate Research Center.

Construction will start in early summer on the Corporate Research Center to be located in Sterling Forest, 35 miles from New York. It is expected that the Center, shown in this architect's rendering, will be in operation late in 1968.



Forests and Forest Management

A test plantation of four-year-old slash pine trees grown from genetically improved seed at the Southlands Experiment Forest in Bainbridge, Georgia, is inspected by Lawrence J. Kugelman, Vice-President and General Manager of Woodlands (right). With him is Fred C. Gragg, Vice-President and Assistant General Manager—Woodlands for the Southern Kraft Division.



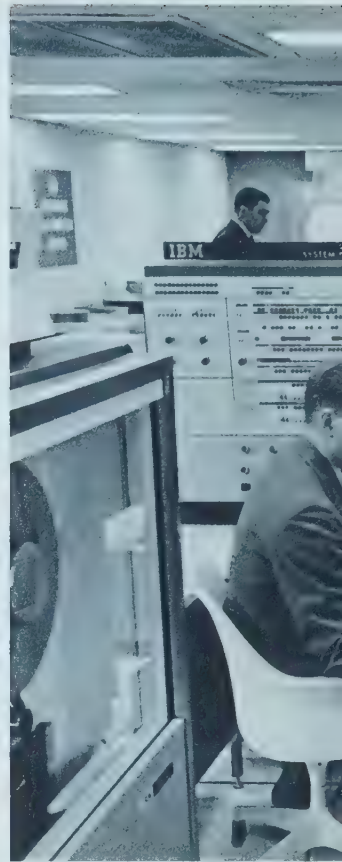
Timberland purchases by the Company within the United States amounted to \$52 million in 1966 and included tracts in all of its major operating areas.

Our tree-planting programs were continued during the past year. In the South more than 26 million seedlings were planted on Company-owned lands and an additional 10,000 acres were seeded directly. With the progress we are making in forest genetics it is now possible that within the next few years all replanting by our Southern Kraft Division will come from genetically improved seed sources.

Although fire losses in most areas were no greater than normal, a major fire in Oregon late in the summer burned approximately 46,000 acres of intermingled publicly and privately owned lands. About 18,000 acres of

Company-owned lands were involved, of which some 6000 acres had been harvested in recent years. Salvage of timber on Company-owned lands has already begun. Helicopters are being used in another program already well under way for seeding our harvested lands with Douglas fir. A damage suit has been instituted by the Company as a result of this fire.

In all of our timber-growing areas we are emphasizing programs for mechanizing woods operations. This includes extending the use of presently available mechanical equipment; adapting other equipment to the specialized uses involved in timber harvesting and transportation; and developing new equipment that will be needed in the future to supply efficiently the projected wood requirements of our mills.



Recently cutover areas that were damaged in the big Oregon fire in the summer of 1966 are being reseeded from the air. In other areas where mature timber was damaged or killed by the fires, salvage operations are in progress.

The Company's new Computer Center is located in the New York Executive Offices. Joseph P. Monge, Vice-President and Treasurer (right), and Eric M. Hart, Comptroller, are shown here discussing operation of the Company's computer-controlled, high-speed tele-communications information system.



Sales and Earnings

Sales of the International Paper Companies in 1966 totaled \$1,450,061,645, an increase of \$146,320,190 or 11.2% over 1965 sales of \$1,303,741,455.

Net earnings amounted to \$105,221,821 (\$2.40 a common share), an increase of \$16,676,588 or 18.8% against \$88,545,233 (\$2.02 a common share) in 1965. In 1966 the Company adopted the straight-line method of recording depreciation and the year's earnings include \$5,122,000 (12 cents a common share) reflecting this change. The earnings in 1965 included \$1,941,897 (5 cents a common share) non-recurring gain from sales of securities.

Cash Dividends

Quarterly dividends for the first nine months of 1966 were at a rate of 30 cents a common share. In No-

vember the Board of Directors voted to increase the quarterly dividend on common shares payable in December to 33 $\frac{3}{4}$ cents. The December payment is at an annual rate of \$1.35. For the full year 1966, dividends per common share totaled \$1.23 $\frac{3}{4}$. In 1965, dividends, including a year-end extra of 5 cents, totaled \$1.25.

Dividends paid in 1966 amounted to \$54,013,291 on the common stock and \$480,860 on the preferred stock, or a total of \$54,494,151. Dividends paid in 1965 amounted to \$55,081,552.

Capital Expenditures

Capital expenditures on the properties of the Company and all of its consolidated subsidiaries—in the United States, in Canada and overseas—totaled \$199,932,163 in 1966, compared with \$125,202,128 in 1965.

Long-term Debt

International Paper Company has arranged to borrow \$150 million, of which \$35 million was received in December 1966. The remainder will be borrowed during 1967 and 1968. The interest rate is 5 $\frac{1}{8}$ %.

In a separate agreement, Canadian International Paper Company, in September 1966, borrowed \$30 million at an interest rate of 5 $\frac{7}{8}$ %.

These borrowings, totaling \$180 million, are for 20 years, with repayments beginning in 1972.

Other long-term debt of \$11,553,569 represents principally local borrowings of our Italian subsidiary.

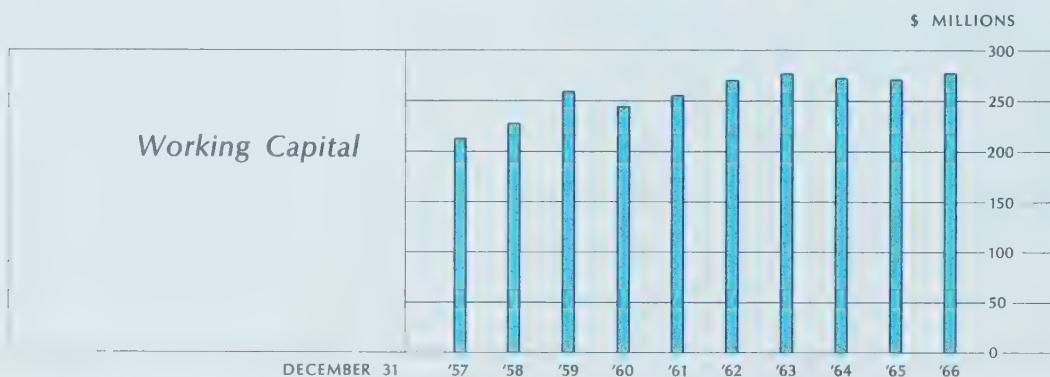
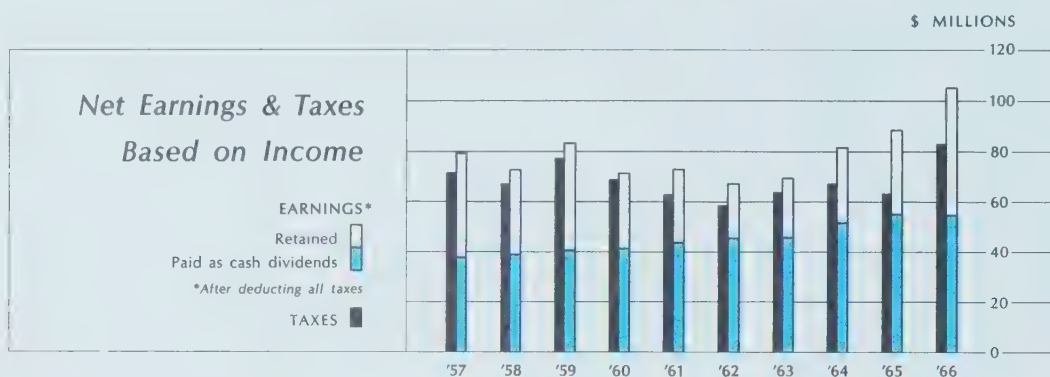
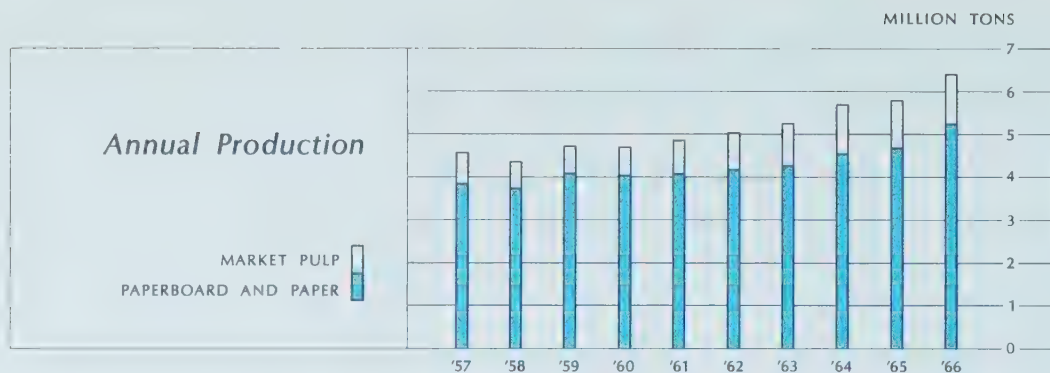
Working Capital

Working capital at December 31, 1966 amounted to \$278,359,831, an increase of \$6,275,787 over December 31, 1965.

	December 31	
	1966	1965
Cash and equivalent . . .	\$ 90,179,662	\$ 94,445,882
Receivables	175,574,134	156,573,208
Inventories	190,176,907	178,495,686
Total current assets . .	455,930,703	429,514,776
Current Liabilities	177,570,872	157,430,732
Working Capital	\$278,359,831	\$272,084,044

Taxes

Taxes based on income amounted to \$83,100,000 in 1966, against \$63,000,000 in 1965. Taxes on income were reduced by the 7% investment tax credit of \$2,820,102 in 1966, compared with \$5,836,386 in 1965.



Distribution of the 1966 Income Dollar

MATERIALS, LABOR, EXPENSES, ETC. 81.73¢

DEPRECIATION AND DEPLETION 5.43¢

TAXES BASED ON INCOME 5.67¢

NET EARNINGS 7.17¢

RETAINED 3.46¢

PAID AS DIVIDENDS 3.71¢

Auditors' Report

To the Shareholders of International Paper Company:

We have examined the consolidated balance sheet of International Paper Company (a New York corporation) and subsidiary companies as of December 31, 1966, and the related statements of consolidated earnings, retained earnings and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In the case of the Canadian and certain other subsidiaries whose accounts were not examined by us, we were furnished with reports of other auditors thereon. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, based upon our examination and upon the reports of other auditors referred to above, the accompanying consolidated balance sheet and statements of consolidated earnings, retained earnings and funds present fairly the consolidated financial position of the companies as of December 31, 1966, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles. Also in our opinion, other than for the change to an acceptable alternative method of computing depreciation as described in Note 3, the accounting principles were applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 10, 1967.

Stock Transfer Agents:

Bankers Trust Company, 16 Wall Street, New York, N. Y. 10015
The First National Bank of Boston, 67 Milk Street, Boston, Massachusetts 02106
Montreal Trust Company, 777 Dorchester Boulevard West, Place Ville Marie, Montreal 2, P. Q., Canada

Registrars:

The Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, N. Y. 10015
Old Colony Trust Company, One Federal Street, Boston, Massachusetts 02106
The Royal Trust Company, P. O. Box 730, Place D'Armes, Montreal 1, P. Q., Canada

Consolidated Earnings Statement

	Years Ended December 31	
	1966	1965
Income:		
Net sales	\$1,450,061,645	\$1,303,741,455
Profit on foreign exchange	10,751,973	10,097,797
Profit on sales of stock in Longview Fibre Company	—	2,589,198
Other income — net	5,847,491	6,656,356
	<u>1,466,661,109</u>	<u>1,323,084,806</u>
Costs and expenses:		
Cost of goods sold exclusive of items listed below	1,011,701,143	906,935,045
Freight and delivery expense	110,337,941	104,424,073
Selling, general and administrative expenses	74,799,515	70,522,241
Depreciation and depletion	79,696,763	89,172,942
Interest	1,803,926	485,272
	<u>1,278,339,288</u>	<u>1,171,539,573</u>
Earnings before income taxes	188,321,821	151,545,233
Provision for income taxes — U.S. and foreign	83,100,000	63,000,000
Net earnings	<u>\$ 105,221,821</u>	<u>\$ 88,545,233</u>
Earnings per share of common stock*	<u>\$ 2.40</u>	<u>\$ 2.02</u>

* Computed on basis of 43,618,810 shares for 1966 and 43,652,803 shares for 1965.

Statement of Retained Earnings

	Years Ended December 31	
	1966	1965
Balance — beginning of year	\$388,825,429	\$355,361,748
Net earnings	105,221,821	88,545,233
	<u>494,047,250</u>	<u>443,906,981</u>
Less: Cash dividends —		
\$4 preferred stock (\$4.00 per share)	480,860	524,610
Common stock (per share: 1966 — \$1.23¾; 1965 — \$1.25)	54,013,291	54,556,942
	<u>54,494,151</u>	<u>55,081,552</u>
Balance — end of year	<u>\$439,553,099</u>	<u>\$388,825,429</u>

The accompanying notes are an integral part of these statements.

Statement of Source and Application of Funds

	Years Ended December 31	
	1966	1965
Source of Funds:		
Net earnings	\$105,221,821	\$ 88,545,233
Depreciation and depletion	79,696,763	89,172,942
Provision for deferred income taxes	7,404,720	3,668,811
Total funds from operations	192,323,304	181,386,986
Long-term borrowings	76,553,569	—
	<u>\$268,876,873</u>	<u>\$181,386,986</u>
Application of Funds:		
Cash dividends paid	\$ 54,494,151	\$ 55,081,552
Invested in plants and properties, net	144,852,790	114,328,644
Invested in woodlands, net	55,079,373	10,873,484
Purchases of common stock for treasury	1,004,871	—
Other investments, etc., net	7,169,901	2,876,764
Increase (decrease) in working capital	6,275,787	(1,773,458)
	<u>\$268,876,873</u>	<u>\$181,386,986</u>

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Assets

At December 31

	1966	1965
Current Assets:		
Cash	\$ 34,630,691	\$ 31,368,694
Temporary investments — marketable securities	55,548,971	63,077,188
Accounts receivable (less reserves for doubtful accounts: 1966 — \$3,124,193; 1965 — \$2,993,145)	175,574,134	156,573,208
Inventories (Note 2)	190,176,907	178,495,686
Total Current Assets	455,930,703	429,514,776
Capital Assets:		
Plants and properties (Note 3)	1,491,047,863	1,361,402,703
Less: Reserves for depreciation (Note 3)	838,073,745	785,652,675
Net plants and properties	652,974,118	575,750,028
Woodlands — net (Note 4)	138,626,441	95,615,131
Investments (Note 5)	27,051,416	25,488,558
	818,651,975	696,853,717
Other Assets and Deferred Charges:		
Receivables — not current	10,054,357	6,320,013
Prepaid insurance and taxes	3,324,498	2,198,036
Deferred charges	16,669,697	15,555,017
	30,048,552	24,073,066
	<u>\$1,304,631,230</u>	<u>\$1,150,441,559</u>

The accompanying notes are an integral part of this statement.

Liabilities and Shareholders' Equity

	At December 31	
	1966	1965
Current Liabilities:		
Accounts and notes payable	\$ 96,782,685	\$ 88,271,232
Accrued income taxes—		
U. S. Federal and state	37,627,625	30,401,430
Canadian and other foreign	4,254,126	5,528,307
Other accrued liabilities	38,906,436	33,229,763
Total Current Liabilities	177,570,872	157,430,732
Long-term Liabilities (Note 6)		
	76,553,569	—
Reserves:		
Insurance	2,843,346	2,888,241
Contingencies	5,947,304	5,110,772
Deferred income taxes	20,753,058	13,348,338
	29,543,708	21,347,351
Shareholders' Equity (Notes 7 and 8):		
Cumulative \$4 preferred stock, no par value	11,894,000	12,454,000
Common stock, \$2.50 par value	109,319,898	109,310,380
Capital from conversion of 5% preferred stock	40,430,070	40,430,070
Capital surplus	421,040,096	420,912,808
Retained earnings	439,553,099	388,825,429
	1,022,237,163	971,932,687
Less: Common shares held in treasury, at cost	1,274,082	269,211
	1,020,963,081	971,663,476
	<u>\$1,304,631,230</u>	<u>\$1,150,441,559</u>

Notes to Financial Statements

1. Basis of Reporting

The consolidated financial statements include the accounts of all wholly owned domestic and foreign subsidiaries. The Companies' interests in certain insignificant majority owned subsidiaries and in all partially owned affiliated companies are shown as investments.

Foreign currency items included in the consolidated balance sheet are substantially all Canadian and have been expressed in terms of U.S. dollars at the rate of \$.92½ U.S. for the Canadian dollar, except that capital assets acquired prior to April 30, 1962 and inventories (principally on the last-in, first-out basis) are stated at \$1.00 U.S. for the Canadian dollar. Total assets of foreign subsidiaries amount to \$359,248,878 at December 31, 1966 and \$314,978,529 at December 31, 1965.

Sales of Canadian subsidiaries are to a large extent made in U.S. dollars while most of their costs and expenses are incurred in Canadian dollars. The Canadian accounts included in the consolidated earnings statement do not differentiate between U.S. and Canadian dollars and have consistently been consolidated on that basis. All realized exchange profits or losses and the adjustments to express Canadian dollar amounts in terms of U.S. dollars, as described above, are shown separately as profit on foreign exchange.

The 1965 consolidated financial statements included herein reflect certain reclassifications (principally inclusion in current assets of U.S. Government securities and funds segregated for capital expenditures) to conform to presentation adopted in 1966. Marketable securities are carried at cost which approximates market value.

2. Inventories

Inventories are priced generally on the following bases: (a) raw materials, finished paperboard, paper, market pulp, etc., and lumber at manufacturing plants at the lower of cost (determined substantially under the last-in, first-out method) or market value; (b) repair materials and other operating supplies, lumber products and plywood at manufacturing plants at the lower of cost (first-in, first-out or average) or market value; and (c) merchandise at retail building-material stores, etc., at the lower of cost (first-in, first-out) or market value. Inventories at December 31, 1966, by major classifications, were as follows:

Raw materials:

Pulpwood and saw logs at mills	\$31,454,038	
Logging operations in process	20,105,872	
Other raw materials	<u>16,631,362</u>	\$ 68,191,272
Repair materials and other operating supplies		<u>33,779,459</u>

Finished products:

Paperboard, paper, market pulp, etc.	64,624,421	
Lumber, plywood and lumber products at manufacturing plants	<u>11,969,910</u>	76,594,331
Merchandise at retail building-material stores, etc.		<u>11,611,845</u>
Total		<u>\$190,176,907</u>

3. Plants and Properties

Plants and properties at December 31, 1966 were as follows:

	Cost	Reserves for Depreciation	Net
Paper and pulp mills	\$1,130,024,475	\$638,122,412	\$491,902,063
Paper converting plants	185,964,934	87,432,003	98,532,931
Sawmills, plywood and lumber product plants	66,104,837	46,319,823	19,785,014
Woods plant and equipment	65,705,976	44,423,611	21,282,365
Other properties	43,247,641	21,775,896	21,471,745
Total	<u>\$1,491,047,863</u>	<u>\$838,073,745</u>	<u>\$652,974,118</u>

Effective January 1, 1966, the Companies have computed depreciation on a straight-line method for financial reporting purposes. This change had the effect of increasing net income for 1966 by \$5,122,000 (12 cents a common share), after the related income tax effect. For tax purposes, the Companies continue to compute depreciation using accelerated methods. The use of accelerated depreciation for tax purposes has resulted in additional tax deferrals in 1966 which have been included in deferred income taxes.

Taxes on income have been reduced by investment tax credits of \$2,820,102 in 1966 and \$5,836,386 in 1965.

4. Woodlands

Woodlands at December 31, 1966 were as follows:

	Acres*	Amount†
United States:		
Owned in fee	6,361,564	\$114,337,622
Held under lease or contract rights	354,379	10,717,374
Total — United States	6,715,943	<u>125,054,996</u>
Canada:		
Owned in fee	1,356,413	7,387,590
Held under Government license	14,609,768	6,183,855
Total — Canada	15,966,181	<u>13,571,445</u>
Total	<u>22,682,124</u>	<u>\$138,626,441</u>

* As reported by the Companies.

† Stated at cost less depletion.

5. Investments

Investments at December 31, 1966, stated at cost, were as follows:

Securities of non-consolidated affiliated companies	\$24,963,420*
U.S. Government and municipal securities	1,600,305†
Other securities	487,691§
Total	<u>\$27,051,416</u>

*No market quotations available.

† Approximate market value at December 31, 1966 was \$1,534,056.

§ Includes (a) securities carried at \$108,588 which had an approximate market value at December 31, 1966 of \$727,516 and (b) securities carried at \$379,103 for which no market quotations were available.

6. Long-term Liabilities

Long-term liabilities at December 31, 1966 were as follows:

Notes payable:

International Paper Company — 5½%, due 1972 to 1986*	\$35,000,000
Canadian International Paper Company — 5½%, due 1972 to 1986	30,000,000
Other	11,553,569
	<u>\$76,553,569</u>

* In 1967 \$95,000,000 and in 1968 \$20,000,000 will be borrowed at 5½% under the terms of Loan Agreements with two insurance companies.

7. Capital Surplus

The following is a summary of transactions in capital surplus for the year ended December 31, 1966 (after restatement of the beginning balance to reflect a reclassification of excess cost over par value of 71,349 shares of common stock acquired prior to December 31, 1965 — \$90,839):

Balance—beginning of year	\$420,912,808
Excess of sales proceeds over par value of common shares	
sold under Incentive Stock Option Plan	92,788
Other	34,500
Balance—end of year	<u>\$421,040,096</u>

8. Capital Stocks at December 31, 1966

	\$4 Preferred*	Common Stock
Shares authorized	400,000	72,000,000
Shares issued	230,579	43,727,959
Less: Shares in treasury	111,639	109,149
Shares outstanding	118,940	43,618,810

* Callable at \$105 per share.

Treasury Stock In 1966 the Company purchased 37,800 shares of common stock in connection with the Incentive Compensation Plan approved by the shareholders in 1966. The cost of these shares and the cost of 71,349 shares of common stock acquired by the Company prior to December 31, 1965 have been reflected in the accompanying balance sheet as a deduction from total shareholders' equity.

Stock Option Plan 1,024,171 authorized but unissued shares are reserved under an Incentive Stock Option Plan for Key Employees. Rights to purchase 20% of the shares covered by each option accrue to the optionee on each of the first five anniversaries of the date of grant, subject to termination as defined in the Plan. The following changes in unissued shares reserved under the Plan occurred in 1966:

	Under Option	Available for Grant
Balance—beginning of year	465,930	561,992
Changes during 1966—add or (deduct):		
Shares for which options were granted	—	—
Shares issued on exercise of options	(3,751)	—
Shares applicable to options terminated	(28,319)	28,319
Balance—end of year	433,860	590,311

The original option price was 100% of the last sale price on the New York Stock Exchange on the date of grant for those options granted in 1965; 95% for those granted in prior years. Prices on options outstanding at December 31, 1966, adjusted for the stock split and stock dividends subsequent to grant dates, ranged from \$27.24 to \$33.96 per share, and averaged \$32.58.

9. Retirement Plans

Reference is made to page 40 with respect to status of the employees' retirement plans.

	1966	1965	1964
Consolidated Earnings Data (000 Omitted)			
Sales	\$1,450,062	\$1,303,741	\$1,245,857
Other Income Items	\$ 16,599	\$ 19,343	\$ 15,192
Depreciation and Depletion	\$ 79,697	\$ 89,173	\$ 80,065
Provision for Income Taxes	\$ 83,100	\$ 63,000	\$ 66,930
Net Earnings	<u>\$ 105,222</u>	<u>\$ 88,545</u>	<u>\$ 81,330</u>

Cash Dividends Paid (000 Omitted)

On Preferred Stock	\$ 481	\$ 525	\$ 573
On Common Stock	54,013	54,557	50,689
On Lord Baltimore Stock*	—	—	—
Total	<u>\$ 54,494</u>	<u>\$ 55,082</u>	<u>\$ 51,262</u>

Stock Dividends Paid

—	—	—
---	---	---

Statistics Per Share of Common Stock†

Provision for Income Taxes	\$ 1.91	\$ 1.44	\$ 1.53
Net Earnings	<u>\$ 2.40</u>	<u>\$ 2.02</u>	<u>\$ 1.85</u>

*Cash dividends paid on Lord Baltimore stock represent payment prior to merger into the Company in March 1958.

† Computed on the following number of \$2.50 par value shares: 43,618,810 for 1966; 43,652,803 for 1965; 43,623,088 for 1964; 43,566,586 for 1963; 43,537,565 for 1962; 43,505,220 for 1961; 43,445,427 for 1960; 43,415,824 for 1959; 43,265,937 for 1958; and 43,144,901 for 1957.

1963	1962	1961	1960	1959	1958	1957
144,632	\$1,095,672	\$1,044,776	\$1,012,648	\$1,030,209	\$915,143	\$956,767
20,852	\$ 11,519	\$ 13,518	\$ 2,451	\$ 3,035	\$ 4,396	\$ 1,311
72,378	\$ 70,700	\$ 59,248	\$ 59,385	\$ 57,434	\$ 47,595	\$ 50,711
63,591	\$ 58,107	\$ 62,543	\$ 68,848	\$ 77,545	\$ 67,505	\$ 71,854
69,422	\$ 67,055	\$ 72,002	\$ 71,668	\$ 83,611	\$ 72,001	\$ 79,435
625	\$ 665	\$ 712	\$ 770	\$ 838	\$ 896	\$ 913
45,062	44,721	43,112	40,730	39,341	38,317	36,784
—	—	—	—	—	—	223
45,687	\$ 45,386	\$ 43,824	\$ 41,500	\$ 40,179	\$ 39,213	\$ 37,920
2%	2%	2%	2%	2%	2%	3%
1.46	\$ 1.33	\$ 1.44	\$ 1.58	\$ 1.79	\$ 1.56	\$ 1.67
1.58	\$ 1.52	\$ 1.64	\$ 1.63	\$ 1.91	\$ 1.64	\$ 1.82

Consolidated Balance Sheet Statistics (000 Omitted)

(At December 31)	1966	1965	1964
Assets (less liabilities):*			
Current assets —			
Cash and equivalent	\$ 90,180	\$ 94,446	\$111,974
Receivables — net	175,574	156,573	146,801
Inventories	190,177	178,496	167,670
Total current assets	455,931	429,515	426,445
Less: Current liabilities	177,571	157,431	152,588
Working capital	278,360	272,084	273,857
Capital assets —			
Plants and properties — net	652,974	575,750	537,035
Woodlands — net	138,626	95,615	98,301
Investments	27,051	25,489	22,919
Total capital assets	818,651	696,854	658,255
Other assets and deferred charges	30,049	24,073	24,208
Long-term liabilities	(76,553)	—	—
Total	\$1,050,507	\$993,011	\$956,320
Reserves and Shareholders' Equity:			
Reserves	\$ 29,544	\$ 21,347	\$ 17,761
Shareholders' equity—			
Preferred	11,894	12,454	13,574
Common	1,009,069	959,210	924,985
Total	\$1,050,507	\$993,011	\$956,320
Equity Per Common Share†	\$ 23.13	\$ 21.97	\$ 21.20

*1965 and prior years' statistics have been reclassified to conform to presentation adopted in 1966.

†Computed on basis of number of shares shown on page 36.

1963	1962	1961	1960	1959	1958	1957
\$131,878	\$138,771	\$131,305	\$120,506	\$141,786	\$136,525	\$140,209
124,339	104,728	108,055	86,677	93,760	73,414	63,399
163,526	167,753	161,575	168,415	157,644	141,336	135,358
419,743	411,252	400,935	375,598	393,190	351,275	338,966
143,181	140,703	145,314	132,603	134,371	121,866	125,753
276,562	270,549	255,621	242,995	258,819	229,409	213,213
506,807	479,543	473,170	468,253	421,424	410,663	401,285
98,306	104,362	102,821	105,236	110,333	113,566	102,391
18,925	18,829	18,089	9,536	7,290	1,935	1,939
624,038	602,734	594,080	583,025	539,047	526,164	505,615
24,845	24,008	22,147	18,299	16,557	14,011	16,892
—	—	—	—	—	—	—
925,445	\$897,291	\$871,848	\$844,319	\$814,423	\$769,584	\$735,720
\$ 16,891	\$ 11,891	\$ 7,846	\$ 8,359	\$ 7,765	\$ 7,307	\$ 7,294
14,995	16,234	17,104	18,486	19,976	21,835	22,640
893,559	869,166	846,898	817,474	786,682	740,442	705,786
925,445	\$897,291	\$871,848	\$844,319	\$814,423	\$769,584	\$735,720
\$ 20.51	\$ 19.96	\$ 19.47	\$ 18.82	\$ 18.12	\$ 17.11	\$ 16.36

Status of Employees' Retirement Plans

At December 31, 1966 a total of 35,862 employees, representing approximately 87% of those eligible, were enrolled under the retirement plans of the United States and Canadian companies and 5,084 retired employees were receiving benefits. Accrued pension costs to the Companies are funded and these funds are not part of the assets of the Companies.

	Year 1966	Total to December 31, 1966
Balance of funds — beginning of periods	\$239,773,955	\$ —
Contributed by the Companies:		
For prior service benefits*	1,735,709	16,411,732
For current service benefits	11,597,388	125,246,564
Total contributions by the Companies	13,333,097	141,658,296
Contributed by employees	5,876,868	83,286,441
Earned by funds — net	11,875,541	81,722,322
	270,859,461	306,667,059
Less: Paid for retirement allowances and purchase of annuities	6,068,800	41,876,398
Balance of funds — end of periods	<u>\$264,790,661</u>	<u>\$264,790,661</u>

* The Companies' prior service contributions are being made at a rate which will amortize the unfunded portion (estimated at \$28 million at December 31, 1966) over a 25-year period.

	The Cover and Center Section	The Text Pages	The Envelope
Paper	Springhill® Coated Cover-Bristol Coated two sides	Tiopake®	Gator-Hide®
Finish	Semi-gloss	Vellum	Standard
Weight	Cover: 24 x 36 — 153/500, 10 point caliper Center Section: 24 x 36 — 124/500, 8 point caliper	25 x 38 — 80/500	17 x 22 — 32/500
Made at I-P's	Moss Point, Mississippi mill	Ticonderoga, New York mill	Louisiana mill in Bastrop
Printing Process	Offset lithography	Sheet-fed gravure for photographs, offset lithography for text	Offset lithography
	The base stock is made with an unusual levelness of surface, which is reflected in a coated sheet that imparts a smooth feel. A uniform affinity for ink gives consistently top printing performance. This economical, all-purpose bristol has excellent folding qualities, a high bright color and toughness, and is ideal for die-cutting. The covers have been lacquered. Front cover photograph by William Vandivert; back cover by William Lavendar.	This versatile paper, combining high opacity with good brightness, is of improved quality and can be used with outstanding results in any of the three principal printing processes — offset lithography, letterpress or gravure. Tiopake is fast drying without set-off, a desirable factor for printing two sides in short press runs. Its blue-whiteness complements ink on paper to give character and crispness to the printed results.	This smooth, bleached kraft paper, with good printability, is especially suitable where the qualities of strength and high brightness are required. It is also available in golden, manila and gray, and in other weights. It can be used with outstanding results in any of the three principal printing processes — offset lithography, letterpress or gravure. It has long been recognized among printers as a top-grade paper of proven performance.





Vicksburg Mill, Vicksburg, Mississippi

Major construction at this 350,000-ton linerboard mill is nearing completion. Installation of the linerboard machine is proceeding as the pulp mill and power facilities are being completed. Towering above the rest of the mill (top center) are the two continuous digesters which will supply pulp for the big paper machine.